

25 March 1960

Committee III - Expansion of TradeDRAFT REPORTCOTTON MANUFACTURES

1. Cotton manufactures were the first important sector of manufactured exports from the less-developed countries to be considered by the Committee. The Committee recognized that if the less-developed countries were to be able to diversify their economies so as to increase their export earnings they must also be able to find markets for their manufactured products.
2. The Committee carried out a detailed investigation with a number of countries regarding the nature of their textile industries and the tariff and non-tariff measures being applied to the cotton textile trade; for this purpose they divided the wide field of cotton manufactures into two sub-groups, i.e. cloth and made-up articles. The Committee felt that such a detailed study on concrete problems arising from the production and trade in cotton manufactures might facilitate its efforts to find practical measures which could enable the less-developed countries to attain an expansion of their export earnings through an increasing trade in cotton textiles.
3. The Committee noted that in many important markets for cotton textiles there were <sup>severe</sup> quantitative restrictions. There were also high levels of tariffs on cotton manufactures in operation in many countries. There were, in addition, somewhat high levels of internal taxes operating in certain countries and in the view of the less-developed countries, even though these taxes were applied equally to home produced and imported goods, nevertheless the total incidence on imported goods of the tariff and the internal tax constituted an additional obstacle to exports from less-developed countries.
4. The United Kingdom delegate referred to voluntary arrangements between the United Kingdom textile industry on the one hand and the textile industries of India, Pakistan and Hong Kong on the other whereby ceilings of exports to the United Kingdom had been agreed upon which were higher than the current

exports and which only helped the United Kingdom industry to plan the volume of its own production. The United Kingdom Government recognized the principle that obstacles should not be placed in the way of manufactured products from the less-developed countries and that the industrialized countries should be prepared to face up to adjustments in their economic structure which accepting these imports might entail. The United Kingdom Government had initiated a scheme of reorganization of the United Kingdom industry by making available £30 million and attracting to the areas of the textile industry other industries which could absorb labour. The observer from Japan pointed out that the output of cotton yarn in Japan is restricted by his Government and that his country had voluntary arrangements for limiting exports to the United States. **In order to prevent some serious damage to the textile industries of industrialized countries his country would be willing to enter into similar arrangements with other textile producers.**

5. Even in some countries where there were no quantitative restrictions tariff levels were somewhat high. These were, in the view of the less-developed countries, often designed to protect marginal units which, through age or location, were not as efficient as they might be. The less-developed countries asked that industrialized countries should therefore examine speedily and sympathetically the feasibility of reducing these tariffs, if necessary by unilateral action, and the feasibility of bringing about rearrangements in the structure of the industry.

6. The Committee noted that barriers against the exports of less-developed countries appeared to be particularly severe in the case of France and Germany and that, there still remained a large element of discrimination in the administration of quantitative restrictions. There are negotiations in which Germany is engaged. The French representative also envisaged consultations but referred to a solution not being immediately in sight. The less-developed countries pointed out that, the present time, when industrial prosperity and full employment in the industrialized countries were general, would be the most appropriate moment for bringing about rearrangements in industrial structure without causing undue social and other disturbances. Some of the less-developed countries pointed out that their industries were not in fact low cost industries.

7. The Committee recognized that relaxation or removal of barriers to the exports of less-developed countries would not immediately and automatically accrue to the benefit of those countries but could not accept this as a justification for retention of barriers since the less-developed countries should be enabled to have equality of opportunity to compete for the trade. The exports of less-developed countries were inevitably concentrated on those markets where there were no restrictions. In order that the export markets of the less-developed countries could be diversified it was necessary that the pressure of competition should be shared by the industrialized countries.

8. The Committee found that per capita consumption of cotton textiles appeared to indicate that there were considerable possibilities for less-developed countries to trade with one another, but noted that many less-developed countries had high tariffs and non-tariff measures which impeded the expansion of such trade.